

ENVIRONMENT AND STATE ANALYSIS

A GUIDE FOR NONPROFIT ORGANIZATIONS



Nonprofit organizations and initiatives are born into specific contexts and are in close interaction with their surrounding environment. **The key to successful and impactful work is** if the organization understands:

- ▶ the current environment,
- ▶ its changes,
- ▶ and can adapt to those changes.

Some elements of our environment can change significantly **within a short period of time**, like changes in laws or regulations that affect our work, while other elements, such as social attitudes, change slowly and **over a long period of time**.

Like our external environment, the internal condition of our organization is influenced by countless factors, including people, knowledge, tools, and resources.

A realistic, honest, and deep **understanding of our narrow and wider environment**, as well as **the state of our organization, is essential**:

- ▶ for successful strategic planning,
- ▶ to master and apply strategic thinking,
- ▶ to follow our strategy and execute strategic management.

In addition, environmental analysis **can significantly influence**:

- ▶ our activities and methodology,
- ▶ our external and internal communication,
- ▶ the operation and management of our organization, including all external and internal processes.

Ideally, every strategic planning process begins with **defining and analyzing the problem** and continues with an environmental analysis and assessment of the state of the organization.

Invite a **broad team** to analyze both the external environment and the internal state because the more people who participate in such a process, the more comprehensive the result will be. In this guide, we deal with environmental analysis and organizational state analysis separately to help you understand why each is important, how to conduct them, and who should be involved in the process.

ANALYSIS OF THE EXTERNAL ENVIRONMENT

To analyze the external environment(s) of an organization, it is worth taking into account all areas that influence our work and affect us. We can use our own framework for this, or we can use the PESTEL analysis.

PESTEL ANALYSIS



PESTEL is an acronym, in which the individual letters indicate the aspects of the analysis:

- Political
- Economical
- Social
- Technological
- Environmental
- Legal

When preparing each aspect of a PESTEL analysis, we should describe the external trends and events that are relevant to our organization. PESTEL helps us understand the external developments that are unfavourable to our organization, and those that are favourable and can be built upon. By providing an enhanced analysis of our organization's external environment, PESTEL is a helpful aid during planning and during the creation of action plans.

The PESTEL analysis, like the SWOT, is a tool from the business sector. We may have to tailor its use to our nonprofit context. If we consider **certain aspects** to be less relevant or significant, **we should omit or supplement them**.

In addition to the 6 aspects of the PESTEL, we recommend that **the environmental analysis also includes** the following elements:

- ▶ analysis of our target audience and the related:
 - challenges
 - opportunities
 - changes/tendencies
 - needs
- ▶ the field, or segment of the field, in which our organization operates
- ▶ mapping and brief description of organizations doing similar work or working in similar field

HOW?



For a valuable and useful environmental analysis, we need accurate **data, numbers, and information**. It is worth building on these and not on impressions or intuitions. The data can be our own or collected from articles and research that comes from reliable sources.

Anecdotal information can also be important but try to **synthesize** it with the involvement of as many people as possible from almost every stakeholder group. For example, from our:

- target audience
- employees
- board members
- experts
- volunteers
- other members of our organization

WHEN?



As a **starting step in a strategic planning process**, the continuous monitoring, analysis, and a thorough understanding of the environment is a prerequisite for successful work aimed at social change. **Update** regularly, and in particular, when preparing for major planning processes or before launching new projects and programs.

ORGANIZATIONAL ANALYSIS - SWOT ANALYSIS

In addition to understanding the environment, it is also essential to be aware of the state of our organization. One of the simplest and most popular tools for this is the SWOT analysis.

SWOT is an acronym:

- ▶ **S**trength
- ▶ **W**eaknesses
- ▶ **O**pportunities
- ▶ **T**hreats

KEEP IN MIND WHEN COMPLETING SWOT ANALYSIS



- ▶ Strengths and weaknesses refer to the **internal** capacity, operations, and dynamics of the organization.
- ▶ Opportunities and threats come from the **external** environment.
- ▶ We should not record feelings or intuitions. Try to support every example with **facts and figures**.
- ▶ We should be **as specific and clear** as possible.
- ▶ It is essential that we are **honest** when preparing a SWOT analysis.

WITH WHOM?



SWOT is created with the involvement of the individuals who lead the organization and/or **make strategic decisions**. If we have the opportunity, it can also be useful to include contributors **as widely as possible** and involve the organization's employees, board members, volunteers, and even constituents.

By inviting various stakeholders to contribute to a SWOT analysis, our organization can create a common language. The opportunity to think about the organization together on a broad scale helps us avoid some internal tensions and prevent different directions from developing on the most important issues.

AFTER COMPLETING THE ANALYSIS



Once we complete our SWOT analysis, it is time to **reflect** on our findings, **interpret** the information together, and **resolve** any possible contradictions or discrepancies. The SWOT analysis is most valuable to our organization if we **apply the results** in our ongoing planning processes.

When reflecting on the completed SWOT:

1. Try to **respond** to weaknesses by building on strengths and opportunities.
2. Try to **plan** for threats by building on strengths and opportunities.
3. Convert the lessons of the SWOT analysis into a concrete **action plan**.

WHEN?



Our organization-wide SWOT analysis should be reviewed **regularly**. We should also prepare one when our organization is starting a special project, strategic planning, or organizational development process.



STRENGTHS	WEAKNESSES	INTERNAL
• Our professional, financial, and human resource capacities • Efficient operating methods • Our knowledge • Our skills • Our professional experience • Positive attitudes and dynamics in the organization Example • <i>Strong professional knowledge in X area</i> • <i>Commitment</i> • <i>Growing membership</i>	• Professional, financial, and HR capacity gaps • Inefficient operating methods • Knowledge gaps • Skill gaps • Insufficient or incomplete professional experience • Negative attitudes and dynamics in the organization Example • <i>Lack of resource development capacity</i> • <i>Lack of management knowledge</i> • <i>Diverging goals within the membership, disunity</i>	
OPPORTUNITIES	RISKS	EXTERNAL
• Positive development trends in the political, economic, and social environment • Positive aspects related to the organization's awareness and recognition • Positive attitudes related to our target audience • Forward-looking trends, developments, opportunities in the community or professional environment in which our organization operates • Opportunities for partnership or cooperation with other organizations Example • <i>Political regulation</i> • <i>Business actors' openness to corporate social responsibility</i> • <i>Media interest in our XY project</i> • <i>Opportunity for cooperation with XY organization regarding our Z activity</i>	• Negative developments and trends in the political, economic, and social environment • Negative attitudes towards our target audience • Negative trends, risks in the community or professional environment in which our organization operates • Negative developments, risks related to organizations working in a similar field Example • <i>Hostile sentiment towards nonprofits</i> • <i>Our previous regular supporter withdraws</i> • <i>Part of our target audience prefers to turn to XY other organizations</i>	